

Message Text

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43

ACTION OPIC-12

INFO OCT-01 EA-11 ISO-00 EB-11 L-03 AID-20 SIL-01 LAB-06

OMB-01 TRSE-00 INR-10 /076 W
----- 080386

R 130858Z MAR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1264

INFO USDOC WASHDC

AMCONSUL SURABAYA

AMCONSUL MEDAN

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DEPT PLEASE PASS OPIC

EO 11652: N/A

TAGS: EIND,ID

SUBJECT: MAX FACTOR INDONESIA

REFS: A) STATE 036168 B) JAKARTA 2165

1. EMBASSY HAS REVIEWED REF A WITH MAX FACTOR INDONESIA GENERAL MANAGER WHETZEL WHO HAS JUST RETURNED FROM CONSULTATIONS IN SINGAPORE WITH HIS SUPERIORS FROM HOLLYWOOD. WHETZEL STATES THAT WHILE MAX FACTOR ORIGINAL APPLICATION FOR INVESTMENT DID INDEED INCLUDE DISTRIBUTION AS WELL AS MANUFACTURING GOI REFUSED TO MODIFY ITS BASIC POSITION TO EXCLUDE FOREIGN INVESTORS FROM DISTRIBUTION. WHETZEL SAID THAT THIS PROHIBITION WAS ALSO CAUSING DIFFICULTIES TO NUMBER OF OTHER FOREIGN INVESTORS PRODUCING PHARMACEUTICALS, COSMETICS, FLASHLIGHT BATTERIES AND OTHER CONSUMER GOODS. HE SAID THAT FINAL GOI APPROVAL OF INVESTMENT DID NOT INCLUDE DISTRIBUTION AND REGRETTED FAILURE MAX FACTOR CONVEY THIS TO OPIC.

2. GOI DID GRANT AND MAX FACTOR INDONESIA TOOK ADVAN-
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TAGE OF "GENEROUS INCENTIVES" INCLUDING TWO YEAR EX-

EMPTION FROM IMPORT DUTIES ON RAW MATERIAL INPUTS, TAX EXEMPTION AND LOSS CARRY OVER, ACCELERATED DEPRECIATION, ETC". WHETZEL SAID THAT IN NO WAY DID GOI "RENEG" ON APPROVAL TERMS. WHETZEL REITERATED THAT MAX FACTOR HAD SOUGHT RELIEF FROM DUTIES ON IMPORTED RAW MATERIALS AND PACKAGING MATERIALS IN FORM OF REDUCED DUTIES BUT WERE UNSUCCESSFUL.

3. WHETZEL REPORTED THAT HE HAS NOT YET RECEIVED FROM ANY GOI OFFICES CONCERNED AN ACKNOWLEDGEMENT OF HIS FEBRUARY 1ST LETTER ADDRESSED TO GOI COORDINATING AGENCY FOR CAPITAL INVESTMENT. MEANWHILE HE SAID HE WAS MOVING AHEAD WITH SHUTTING DOWN THE PLANT WITH A TARGET OF APRIL 16, BUT THAT HE WAS HAVING DIFFICULTIES WITH HIS LABOR FORCE. ACCORDING TO GOI LABOR REGULATIONS TERMINATED EMPLOYEES MUST BE GIVEN ONE MONTH'S SALARY FOR EACH YEAR EMPLOYED. WHETZEL SAID THAT IN MOST CASES THIS WOULD BE EQUIVALENT OF FOUR MONTH'S SALARY WHICH MAX FACTOR WAS PREPARED TO SUPPLEMENT TWO ADDITIONAL MONTHS. HE REPORTED THAT SOMEONE HAD "ORGANIZED" HIS WORKERS TO REJECT THIS AND DEMAND FOUR TIMES THE LEGAL REQUIREMENT I.E. 16 MONTH'S SALARY. WHETZEL SAID THIS IS OBVIOUSLY A BARGAINING PLOY AND THAT MAX FACTOR MIGHT BE WELL TO SETTLE FOR TWICE THE LEGAL REQUIREMENT. HE ADDED THAT HIS WORKERS WERE TAKING THIS POSITION EVEN THOUGH HE NOW HAD FIRM EMPLOYMENT ALTERNATIVES FOR 36 OF HIS 41 EMPLOYEES. APPOINTMENT HAS BEEN MADE FOR WHETZEL TO MEET WITH EMBASSY LABOR ATTACHE.

NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, COSMETICS, INDUSTRIAL PLANTS, FOREIGN INVESTMENTS, PERSONNEL SEPARATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKART03148
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740347/aaaabshq.tel
Line Count: 91
Locator: TEXT ON-LINE
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) STATE 036168 B) JAKARTA 2165
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUL 2002 by shawdg>; APPROVED <29 JUL 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAX FACTOR INDONESIA
TAGS: EIND, ID, OPIC, MAX FACTOR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005